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Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIBUTORS

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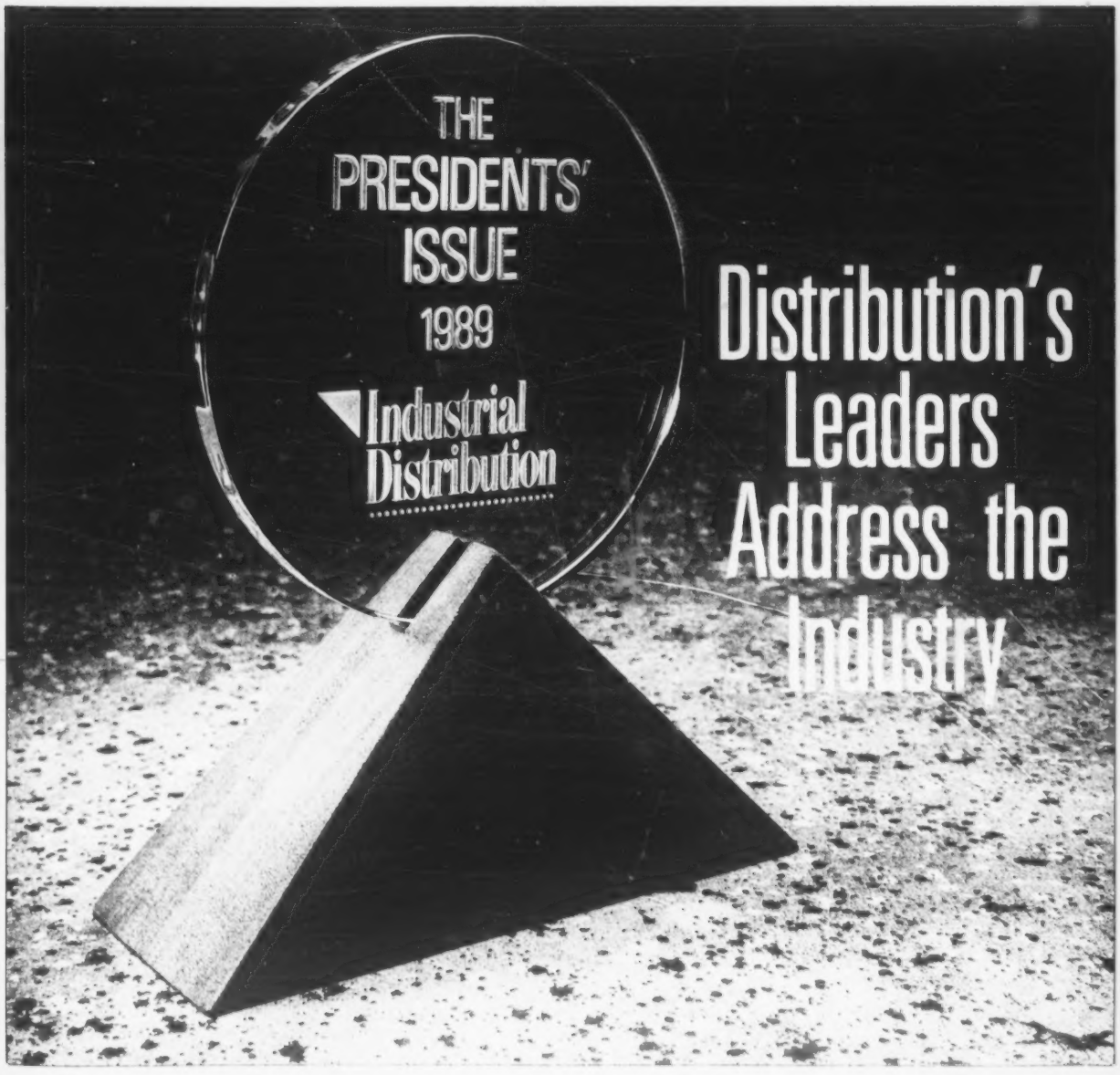

Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIBUTORS

VOL. 78, NO. 1 JANUARY 1989 A CAHNERS PUBLICATION

cover photography by Dave Bradley

COVER STORY

30 The Presidents' Issue

ID salutes the presidents of eight major distribution associations and two manufacturing associations. These industry leaders discuss the need for leadership and talk about their groups, the outlook for '89 and what each sees as the major challenges ahead.

MARKETS

45 Confirming quality

Dramatic changes are taking place in selling measuring and gaging tools.

SPECIAL FEATURE

This month, **ID** presents a separate cutting tools, abrasives and accessories supplement. In this special supplement, **ID** describes the markets for cutting tools and abrasives and gives forecasts for '89. We also profile a Connecticut distributor who has captured a large share of the $7 million cutting tool business at United Technologies' Hamilton Standard Div.

MANAGEMENT

29 Inside Distribution

74 Clifton's View
Choosing the right salesperson.

SALES & MARKETING

49 Strictly for Sales
Engineers can provide valuable support to your sales staff.

DISTRIBUTOR'S UPDATE

7 Distribution Briefs
Boring-Smith buys Dixie Industrial; Garrett Industrial on the sales block.

9 News
Preliminary anti-dumping duties are causing pricing problems for bearings distributors; Central States joins I.D.A.'s fold.

25 Washington

27 Letters

50 Calendar

53 Association News

PROFITABLE IDEAS

55 Computers
Here's what to look for in selecting the right printer.

57 Tech Notebook
How to calculate ball bearing capacity.

59 New Products

Profitable new products offered by leading suppliers.

69 Literature
New brochures, catalogs and data sheets from selected manufacturers.

71 Business Staff

72 Classifieds

73 Advertisers' Index

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NEWS

DOC ruling stirs up bearings market

Distributors say preliminary anti-dumping duties have caused confusion; many find it difficult to develop consistent pricing

Dramatic price increases on imported bearings, in some cases well over 200%, have thrown the industry into a pricing tizzy.

Several leading foreign bearings producers opted to raise prices following the Dept. of Commerce's (DOC) preliminary ruling last November that imports of anti-friction bearings were being sold in U.S. markets at less than fair value.

The ruling, based on a lawsuit filed last March by the Torrington Co., named West Germany, France, Italy. Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom. Together, the nine countries accounted for about $500 million in imports during 1987 (see chart). The product categories specified by the DOC included ball, spherical roller, cylindrical roller, needle roller, and plain bearings.

The price increases are based on the preliminary dumping penalties set by the DOC. The duties ranged from 0.48% to 225%, with most falling between 20% and 80%. Some of the foreign producers reported to have raised prices to offset the penalties include NSK Corp., SNR Bearings, SKF Industries, and IKO Bearings. The duties are currently being held in escrow, pending the DOC's final determination. The importers will then either be reimbursed or pay the difference, based on the DOC's final ruling.

Preliminary Duties on Anti-friction Bearings

Countries	U.S. Imports (1987)	Companies	Ball Bearings and Parts	Spherical Roller Bearings and Parts	Cylindrical Roller Bearings and Parts	Needle Roller Bearings and Parts	Plain Bearings and Parts
Fed. Republic of Germany	$117,081,090	FAG	80.38%	48.47%	52.96%	115.40%	85.39%
		GMN	21.52	N/A	N/A	N/A	N/A
		INA	30.60	N/A	10.05	42.79	N/A
		SKF	132.25	N/A	76.27	55.86	118.98
		All others	70.04	48.47	52.46	48.97	115.89
France	$24,782,978	INA	65.80	N/A	79.52	0.48*	N/A
		SKF	90.42	24.84	N/A	N/A	N/A
		SNR	63.77	N/A	22.60	N/A	N/A
		All others	84.07	24.84	78.59	0.48*	0*
Italy	$25,291,370	FAG	42.05	N/A	N/A	N/A	N/A
		ICSA	N/A	5.76	N/A	N/A	N/A
		SKF	155.99	N/A	35.60	153.60	N/A
		All others	129.20	5.76	35.60	153.60	0*
Japan	$209,434,715	Koyo	73.55	40.18	51.21	128.25	N/A
		Minebea	106.61	N/A	N/A	N/A	225.68
		Nachi	43.47	11.20	2.71	N/A	N/A
		NSK	56.32	12.46	10.69	N/A	N/A
		NTN	25.65	3.91	3.40	147.35	91.51
		All others	44.76	9.79	28.86	129.14	217.31
Romania	$12,351,448	TIE	46.91	28.01	Investigation Rescinded	Investigation Rescinded	Investigation Rescinded
		All others	46.91	28.01			
Singapore	$29,502,197	NMB/Pelmec	73.55	Investigation Rescinded	Investigation Rescinded	Investigation Rescinded	Investigation Rescinded
		All others	73.55				
Sweden	$20,545,579	SKF	162.52	22.37	24.30	N/A	N/A
		All others	162.52	22.37	24.30	N/A	0*
Thailand	$14,545,962	NMB/Pelmec	1.34	Investigation Rescinded	Investigation Rescinded	Investigation Rescinded	Investigation Rescinded
		All others	1.34				
United Kingdom	$28,876,744	INA	N/A	N/A	N/A	174.17	N/A
		RHP	32.15	N/A	45.56	N/A	N/A
		Rose	N/A	N/A	N/A	N/A	0*
		SKF	205.07	24.82	N/A	N/A	N/A
		All others	131.86	24.82	45.56	174.17	0*
Total imports	$482,412,083						

*When margins are 0.5 or below, the Dept. of Commerce makes a negative determination and duties are not collected.
Import statistics are compiled from official statistics of the U.S. Dept. of Commerce

Penalties paid to the U.S. government by importers are based on margins set by the DOC. The margin is the percentage difference between an import's cost and its fair value, which is generally the product's price in its home market.

DISTRIBUTORS CONCERNED

Michael Wolf, president of Philadelphia Ball & Roller Bearing (Philadelphia, PA), underscored the difficulty the anti-dumping duties have placed on a distributor's ability to set consistent pricing.

"We have to handle each order as a separate entity because the price increase varies from manufacturer to manufacturer and product to prod-

uct," he said. "I'm very careful about what I buy right now, because nothing's set in concrete. The price could change once the final duties are set."

While Wolf was cautious, Alan Haveson, president of Eastern Bearing (Elizabeth, NJ) was strident. "What this amounts to is an assault on the consumer," Haveson said.

Haveson noted that the prevailing thinking in the industry is that demand will be met by a combination of domestic manufacturers picking up the slack and foreign producers expanding their U.S. production facilities. But he maintained that the reality is that American manufacturers are barely meeting existing demand and it will take several months for foreign producers to gear up their

[continued on pg. 14]

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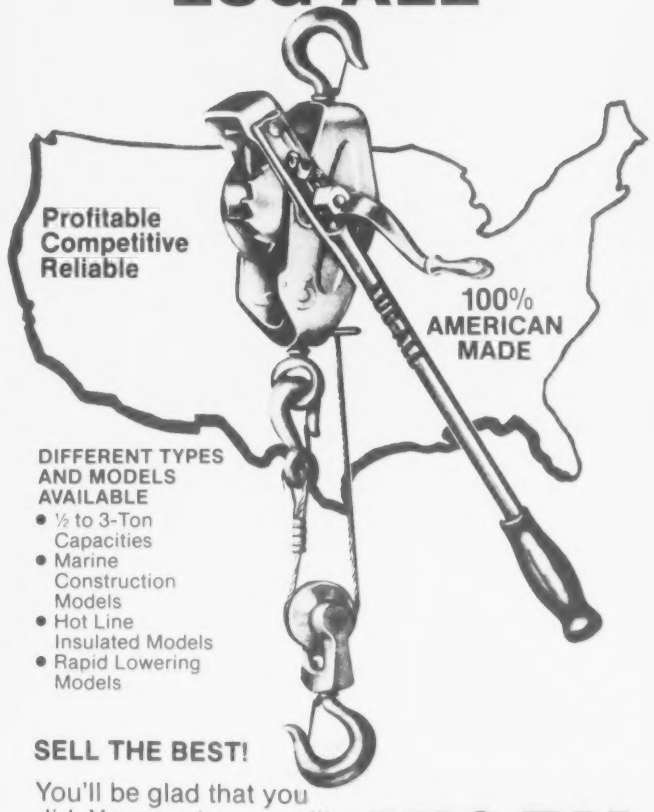

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AFBMA: 232 denial is no surprise

WASHINGTON, DC—President Reagan's recent denial of a petition by domestic bearing manufacturers to impose quotas on importers based on national security considerations came as little surprise to the industry's leading trade group.

Michael Payne, president of the Anti-Friction Bearing Manufacturers Assn. (AFBMA), the group which filed the petition over a year ago, noted that the reasons behind the administration's decision were threefold.

First, Payne noted that the action by the Dept. of Defense (DOD) last August requiring DOD to purchase domestic bearings "when available" is designed to help revitalize the domestic bearings industry.

Second, he said that during the past six months, the U.S. bearings industry has been operating at or near capacity in most product lines. Any attempt to impose quotas at this time could exacerbate the supply shortages the industry is currently facing.

And finally, Payne speculated that the preliminary anti-dumping duties imposed by the Dept. of Commerce (DOC) in the Torrington case (see lead story) may have had an impact on the DOC's final recommendation to the White House not to impose quotas.

At issue was the AFBMA's contention that imports of anti-friction bearings posed a threat to national security. Under Section 232 of the Trade Expansion Act of 1962, the DOC may conduct an investigation if it determines that an industry has been so severely impacted by imports that the nation's security is at risk.

Although the DOC's report found that bearings are fundamental to every defense weapon system, its final determination was that the domestic bearing industry would be able to meet "most, but not all, national security requirements in the event of a major conventional war." □

U.S. facilities.

"The result in the short run will probably be even greater shortages, which will send prices even higher," said Haveson. "Since bearings are used in almost every manufactured product, the consumer will pay in the end."

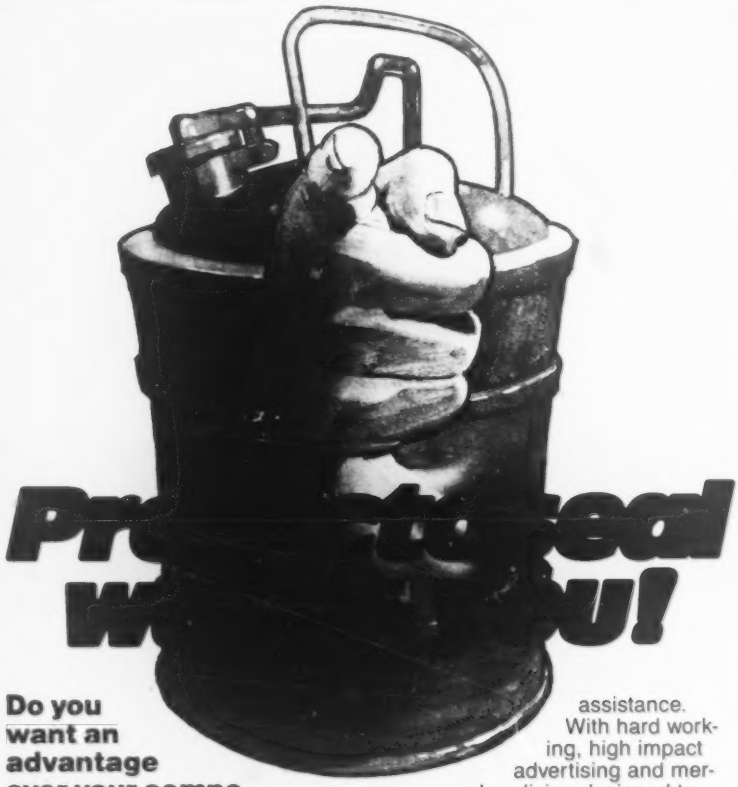
But Jean-Paul Montupet, president of King Bearing, Inc. (Costa Mesa, CA), while admitting he was wrestling with the pricing issue, said that Torrington was justified in filing the action.

"The truth is that the situation in the U.S. bearings market was unsound," Montupet said. "Since we sell predominantly domestic products, in the long run the Torrington case will help strengthen our competitive position."

George LaMore, CEO of Cleveland-based Bearings, Inc., was even more upbeat. "As far as I'm concerned the message is clear," LaMore said. "There's no doubt in my mind that American producers can compete if they're provided with a level playing field."

Echoing LaMore's sentiments was Thomas E. Bennett, president of Torrington, who hailed the ruling. Bennett said that dumping margins exceeding 50% indicate that domestic producers have been losing several million dollars a year because of unfairly priced imports. "Such reductions in sales and profitability can only be described as staggering," he noted.

The DOC is expected to make its final determination on the Torrington case later this month. Once DOC rules, the International Trade Commission (ITC) will rule on whether the industry was "materially injured." If the ITC rules that the bearings industry was injured, DOC then instructs U.S. Customs to collect final anti-dumping duties. □



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